

## Message Text

CONFIDENTIAL

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 STRE-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 FEAE-00 OMB-01 AF-10

ARA-10 EA-07 NEA-10 OIC-02 /133 W

-----116136 191614Z /44

O 191447Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 9372

INFO AMEMBASSY BRUSSELS IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 GENEVA 5980

USEEC

FOR ASST SEC KATZ

DEPT PLEASE PASS ELECTRONICALLY TO STR; USDOC ASST SEC WEIL AND  
LABOR ASSOC DEP UNDERSEC BLACKMAN

E.O. 11652 GDS

TAGS: ETRD, GATT

SUBJ: TEXTILES MFA RENEWAL NEGOTIATIONS

1. SUMMARY: HEADS OF 15 DELEGATIONS MET WITH GATT DIRECTOR-  
GENERAL LONG FOR 90 MINUTES THIS MORNING IN YET ANOTHER ATTEMPT  
TO FIND AMICABLE SOULTION FOR MFA RENEWAL. IMPASSE BETWEEN  
COMMUNITY AND EXPORTING COUNTRIES THREATENED TO BREAK UP TALDS,  
BUT U.S.INTERVENTION URGING PARTIES TO MAKE ANOTHER ATTEMPT TO  
RESOLVE DIFFERENCES AND VERY STRONG STATEMENT BY LONG POINTING  
OUT DANGERS INVOLVED IF TALKS BROKE DOWN PERSUADED EC AND  
EXPORTING COUNTRIES TO MAKE CONCERTED EFFORT TO WORK OUT DIF-  
FERENCES TODAY. END SUMMARY.

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2. D-G LONG CALLED THE STEERING COMMITTEE (COMPOSED OF  
15 HEADS OF DELEGATION) TO MEETING THIS MORNIGN FOR  
QUOTE REPORT ON SITUATION UNQUOTE. COMMUNITY (TRAN)  
GAVE INFORMAL REPORT ON HIS VISIT TO BRUSSELS YESTERDAY  
IN WHICH HE SAID EURIPEAN COMMISSION REMAINS PRE-  
PARED TO TAKE ALL STEPS TO OVERCOME MEMBER-STATE RE-  
SISTANCE TO RENEWAL OF MFA NOW IF SATISFACTORY SUMMING

UP STATEMENT BY LONG CAN BE WORKED OUT. TRAN SAID THAT COMMUNITY WISHES TO CONCLUDE MATTER TODAY OR TOMORROW. FYI: WE UNDERSTAND DAVIGNON MEETING WITH FRENCH PRIME MINISTER BARRE THIS AFTERNOON AND WITH DELL OF UK TOMORROW. END FYI: TRAN WENT ON TO SAY EC FACES TWO CHOICES: (A) FAILING CONCLUDE MFA NEGOTIATIONS NOW, PROCEED WITH QUOTE SAVAGE UNQUOTE BILATERAL NEGOTIATIONS OVER NEXT FOUR MONTHS, AND IF THOSE NEGOTIATIONS SATISFACTORY, SIGN MFA WITHOUT CHANGE BY DECEMBER, (B) REACH A CONCLUSION NOW BUT CONDITIONALLY IN A WAY WHICH WOULD PERMIT THE COMMUNITY TO NEGOTIATE BILATERAL AGREEMENTS ALONG LINES OF EARLIER PAPERS SUCH AS THOSE DISCUSSED BETWEEN DAVIGNON AND STRAUSS AND THEN CONFIRM MFA RENEWAL IN DECEMBER. TRAN SAID TWO MEMBER STATES (PRESUMABLY FRANCE AND UK) WANT TO TAKE ARTICLE 19 ACTION NOW. TRAN WENT ON TO SAY, REGARDING ARTICLE 19 OPTION, THAT COMMISSION VEHEMENTLY OPPOSED SUCH ACTION BECAUSE OTHER IMPORTING COUNTRIES WOULD NOT STAND STILL FOR SUCH ACTION AND THAT RETALIATION WOULD BE CERTAIN. TRAN SAID THERE WOULD BE, IN COMMISSION'S VIEW, A DISASTROUS CHAIN REACTION OF PROTECTIVE MEASURES A LA 1929 AND FOR THAT REASON THE COMMISSION IS EXCEEDINGLY ANXIOUS TO WRAP UP THIS MFA BUSINESS NOW SO AS TO INHIBIT MEMBER STATE PRESSURE FOR ARTICLE 19 ACTION. HE SAID HE HAD RETURNED TO GENEVA TODAY TO NEGOTIATE A TEXT, AND HE APPEALED TO ALL FOR CONFIDENTIAL

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HELP.

3. CRAFOORD OF NORDICS ECHOED COMMUNITY'S VIEWS, PARTICULARLY WITH REFERENCE TO POTENTIAL CHAIN REACTIONS IF MFA BREAKS DOWN AND ARTICLE 19 ACTIONS ENSUE. INDIAN SPOKESMAN, WHO HAS BEEN MOST UNHELPFUL DURING RECENT DAYS, RESUMED PHILOSOPHICAL DISCUSSIONS. HE ALSO STATED FEAR THAT IF EC IS GIVEN SOME ABILITY TO DEPART FROM SEVERAL MFA PROVISIONS, ALL OTHER IMPORTING COUNTRIES WOULD BE CERTAIN TO FOLLOW. HE FURTHER OBJECTED TO CONDITIONALITY OF MFA RENEWAL. HAMZA OF EGYPT, WHILE ALSO NOT BEING PARTICULARLY HELPFUL DURING THESE PAST TWO WEEKS, SAID THAT EXPORTING COUNTRIES UNDERSTOOD EC PROBLEMS, WERE STILL WILLING TO NEGOTIATE AND ASKED FOR TEXT FROM COMMUNITY. YUGOSLAVIANS FELT THAT BASIS FOR NEGOTIATIONS UNDER PRESENT TERMS WOULD NOT RESULT IN SUCCESSFUL CONCLUSION AND REPEATED EARLIER REQUEST THAT THE PARTICIPATING COUNTRIES ASK FOR THE MINIMUM REQUEST OF THE EC FOR FORMAL AMENDMENTS TO THE MFA OR THAT THE PARTICIPANTS AGREE TO DISSOLVE IT. (COMMENT: HIS SUGGESTION WAS GREETED BY STONY SILENCE BY ALL OTHER DELEGATIONS.) U.S. THEN INTERVENED, POINTING

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C O N F I D E N T I A L SECTION 2 OF 2 GENEVA 5980

USEEC

OUT THAT A NUMBER OF SUGGESTED TEXTS HAVE BEEN CIRCULATING IN GENEVA THROUGHOUT THE LAST TWO WEEKS, THAT, IN U.S. VIEW, CHAOS WOULD QUICKLY RESULT IF MATTER WAS NOT RESOLVED AT THIS SESSION AND APPEALED TO ALL PARTICIPANTS TO RESUME WORK ON NEW DRAFT DRAWING UPON ALL THE TEXTS HERETOFORE CIRCULATED. INDIAN REP, FOR A CHANGE, WAS AMENABLE TO THIS SUGGESTION ALTHOUGH HE COULD NOT RESIST REPEATING HIS BELIEF OTHER IMPORTING COUNTRIES WOULD FOLLOW EC EXAMPLE AND THAT EVEN IF MFA WERE RENEWED THE EUROPEAN COMMUNITY STILL HAD THE OPTION OF ARTICLE 19. TRAN THEN SAID THAT EC COULD HAVE FOLLOWED CANADIAN EXAMPLE (I.E., MASSIVE US OF ARTICLE 19) MONTHS AGO BUT THEY DID NOT AND DO NOT WANT TO. PICKING UP U.S. APPEAL FOR YET ANOTHER ATTEMPT AT FINDING AN ACCEPTABLE DRAFT, TRAN AGREED TO WORK THROUGHOUT THE DAY WITH OTHER KEY PARTICIPANTS.

4. BRAZILIAN DELEGATE AGREED ADDITIONAL EFFORT SHOULD BE MADE ALTHOUGH HE QUESTIONED WHETHER ANY DRAFT COULD  
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COVER THE MAJOR ISSUE WHICH IS SUBSTANTIVE RATHER THAN TEXTUAL. THE KEY QUESTION IN BRAZIL REP'S MIND WAS THAT THE COMMUNITY SEEKS A GENERAL "GREEN LIGHT" TO SEEK BETTER BILATERAL AGREEMENTS WITH MAJOR SUPPLIERS. KEY QUESTION IS, WHO ARE THE MAJOR SUPPLIERS? HE ADDED BRAZIL COULD NOT AGREE TO A GENERAL WAIVER TO ANY PROVISIONS. HE THEN QUESTIONED WHETHER IT WAS STILL WORTHWHILE TO PROCEED ON THE BASIS ALL HAD BEEN WORKING FOR DURING THE PAST TWO WEEKS AND SUGGESTED "PERSONALLY" THAT THE PARTICIPANTS SHOULD CONCENTRATE ON THE MATTER OF CONDITIONAL RENEWAL, I.E., ALL PARTICIPANTS WOULD UNDERTAKE TO RENEW THE MFA AS IS AND IF THE COMMUNITY WAS NOT SATISFIED WITH THE RESULTS OF ITS BILATERAL NEGOTIATIONS DURING THE NEXT FOUR MONTHS, IT WOULD, OF COURSE, HAVE THE OPTION OF NOT ACCEPTING.

5. AFTER SEVERAL OTHER MINOR INTERVENTIONS, D-G LONG MADE A VERY STRONG STATEMENT TELLING ALL PARTIES IN ESSENCE THAT IF THESE MFA NEGOTIATIONS BROKE DOWN, THE IMPLICATIONS FOR OTHER TRADE NEGOTIATIONS WERE OBVIOUS, THAT THERE WAS A REAL THREAT THAT A TRADE DEBACLE OF THE FIRST MAGNITUDE COULD RESULT, THAT BEFORE PERMITTING THIS SESSION TO BREAK UP IN DISAGREEMENT, HE WOULD PERSONALLY INTERVENE AT THE HIGHEST LEVELS OF THOSE GOVERNMENTS WHO WERE BLOCKING THE CONSENSUS (I.E., INDIA, EGYPT, BRAZIL AND THE COMMUNITY) TO INSURE THAT THE HIGHEST OFFICIALS WERE FULLY AWARE OF THE CONSEQUENCES OF FAILURE. LONG'S STATEMENT MADE STRONG IMPRESSION UPON ALL, AND THE COMMUNITY IS PRESENTLY MEETING WITH BRAZILIANS TO BE FOLLOWED BY SEPARATE CONVERSATIONS WITH EGYPTIANS AND INDIANS IN EFFORT TO ARRIVE AT TEXT FOR DISCUSSION BY FIVE O'CLOCK THIS AFTERNOON.

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6. COMMENT: OVER WEEKEND AT REQUEST OF LONG, U.S. PLAYED ROLE OF HONEST BROKER IN EFFORT TO BRIDGE GAP. SUBSTANTIAL PROGRESS HAD BEEN MADE IN DOING SO, BUT THE BOTTLENECK REMAINS INDIANS AND EGYPTIANS WHO APPEAR TO BE VYING FOR LEADERSHIP IN PROMOTING HARD-LINE LDC APPROACH. HONG KONG, KOREA AND OTHER FAR EAST PARTICIPANTS HAD AGREED TO TEXT ALONG LINES PROPOSED BY U.S. AS HAD MEXICO, AND WE BELIEVE BRAZIL WOULD HAVE IF SEPARATED FROM INDIA AND EGYPT. WE CONCLUDE U.S. SHOULD WITHDRAW A BIT FOR PRESENT FROM PLAYING ROLE OF HONEST BROKER ALTHOUGH WE WILL BE READY TO RESUME ROLE IF RESULTS LOOK PROMISING. END COMMENT.

7. WHILE DRAFTING FOREGOING, WE HAVE JUST LEARNED FROM EC GENEVA SOURCES THAT EC NOW SAYING THAT IF AGREED TEXT NOT ARRIVED AT BY THIS EVENING, EC WILL INSIST ON LONG CALLING FULL TEXTILES COMMITTEE MEETING TOMORROW MORNING TO ANNOUNCE, IN EFFECT, FAILURE OF TALKS. USDEL HAS TOLD EC THAT SUCH IMPLICIT ULTIMATUM IS THE WRONG WAY TO PLAY THE GAME AND THAT WE CANNOT BE A PARTY TO IT. LIKE LONG, WE BELIEVE WE MUST KEEP AT TABLE AS LONG AS POSSIBLE. VANDEN HEUVEL

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## Message Attributes

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**Type:** TE  
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